

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI*WEFA's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the July 2002 to the October 2002 *Idaho Economic Forecast*. The July 2002 Idaho forecast is based on DRI*WEFA's July 2002 baseline forecast and the October 2002 Idaho forecast is driven by DRI*WEFA's October 2002 baseline U.S. macroeconomic forecast.

The table on the facing page highlights some of the differences for several key national and Idaho variables between the current and previous forecast. Even a cursory review of the table would lead to the conclusion the national economic picture has softened since July 2002. This is particularly true for 2003. Rarely has the data been this consistent. The outlook for real GDP is down significantly from the previous forecast. There are three reasons for this. First, a revision to the historical data since the last forecast was published lowered the starting point of the current forecast. Second, inflation is expected to be slightly higher. And third, economic activity is weaker, as can be seen by comparing the differences between nominal GDP for the current and previous forecasts. National nominal personal income has also been downgraded. On average, it is about one percent lower in the current forecast. This gap is wider still when income is adjusted for inflation. This result is consistent with the higher anticipated inflation. National nonfarm employment is much weaker in 2002 and 2003, but is slightly stronger in 2004 and 2005. But this pattern is not consistent across all employment sectors. In fact, there are fewer goods-producing jobs in each year of the forecast. On the other hand, there should be more services-producing jobs after this year than had been previously forecasted.

Likewise, Idaho's economy also suffers over the forecast period, with the roughest year being 2003. In that year, nonfarm employment is 5,400 lower than had been previously forecast. It improves slightly in 2004 and 2005, so the gap is just 3,400 in 2005. Like employment, Idaho personal income converges with its previously forecasted values over time. The major difference is income converges from above while employment approaches from below. The starting point for personal income has been raised significantly due to a revision to the historical data.

IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
OCTOBER 2002 AND JULY 2002 FORECASTS

	1999	2000	2001	2002	2003	2004	2005
GDP (BILLIONS)							
Current \$	6	-48	-126	-153	-202	-152	-123
% Difference	0.1%	-0.5%	-1.2%	-1.4%	-1.8%	-1.3%	-1.0%
1996 Chain-Weighted	2	-33	-119	-140	-201	-173	-160
% Difference	0.0%	-0.4%	-1.3%	-1.5%	-2.0%	-1.7%	-1.5%
PERSONAL INCOME - CURR \$							
Idaho (Millions)	393	486	481	634	586	315	184
% Difference	1.4%	1.6%	1.5%	1.9%	1.7%	0.8%	0.5%
U.S. (Billions)	9	87	-38	-69	-114	-119	-90
% Difference	0.1%	1.1%	-0.4%	-0.8%	-1.2%	-1.2%	-0.8%
PERSONAL INCOME - 1996 \$							
Idaho (Millions)	373	489	430	526	466	196	74
% Difference	1.4%	1.7%	1.5%	1.8%	1.5%	0.6%	0.2%
U.S. (Billions)	8	91	-38	-74	-113	-121	-96
% Difference	0.1%	1.2%	-0.5%	-0.9%	-1.3%	-1.4%	-1.1%
TOTAL NONFARM EMPLOYMENT							
Idaho	-13	-20	381	-5,342	-5,394	-4,304	-3,403
% Difference	0.0%	0.0%	0.1%	-0.9%	-0.9%	-0.7%	-0.6%
U.S. (Thousands)	0	0	0	-148	-562	80	192
% Difference	0.0%	0.0%	0.0%	-0.1%	-0.4%	0.1%	0.1%
GOODS PRODUCING SECTOR							
Idaho	2	-5	387	-1,397	-2,306	-1,949	-1,551
% Difference	0.0%	0.0%	0.3%	-1.3%	-2.1%	-1.8%	-1.4%
U.S. (Thousands)	0	0	0	-88	-651	-769	-574
% Difference	0.0%	0.0%	0.0%	-0.4%	-2.7%	-3.1%	-2.3%
SERVICE PRODUCING SECTOR							
Idaho	-15	-16	-6	-3,946	-3,088	-2,355	-1,851
% Difference	0.0%	0.0%	0.0%	-0.9%	-0.7%	-0.5%	-0.4%
U.S. (Thousands)	0	0	0	-60	89	850	767
% Difference	0.0%	0.0%	0.0%	-0.1%	0.1%	0.8%	0.7%
FINANCIAL MARKETS							
Federal Funds Rate	0.0%	0.0%	0.0%	-0.1%	-0.9%	-1.3%	-1.3%
Bank Prime Rate	0.0%	0.0%	0.0%	-0.1%	-0.9%	-1.3%	-1.3%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	-0.4%	-1.1%	-1.8%	-1.1%
INFLATION							
GDP Price Deflator	0.0	-0.1	0.0	0.0	0.3	0.5	0.6
Personal Cons Deflator	0.0	-0.1	0.0	0.2	0.2	0.3	0.3
Consumer Price Index	0.0	0.0	0.0	0.1	0.2	0.3	0.4

Forecast Begins the **THIRD** Quarter of 2002